Property

1H26 Outlook: Quality Over Quantity

OVERWEIGHT
(Maintained)

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Highlights

- Despite rising construction costs, we maintain a constructive 1H26 outlook, supported by: a) Johor-led strength in mid-range to high-end residential demand; b) sustained industrial momentum; c) rising approved investments into Johor under the JS-SEZ, with the blueprint expected in 1Q26; and d) asset monetisation catalysts through potential REIT listings.
- Maintain OVERWEIGHT on palatable valuations at 0.9x forward P/B (+0.5SD above mean) and a 60% discount to RNAV (+0.5SD to mean).
- Top picks are Sunway, Eco World and IOIPG. Lagenda remains a laggard in the sector, supported by a 31% two-year CAGR during 2025-27, and currently trades at 6.4% 2026F yield.

Analysis

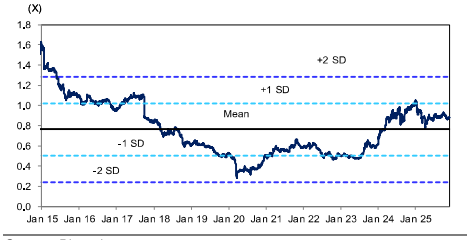
- **Sector has outperformed FBMKLCI in 2H25 to date.** While the property sector (-3.8%) has slightly underperformed the FBMKLCI (-2.3%) ytd, it has outperformed the FBMKLCI in 2H25 to date, recording a gain of 7.2% vs the FBMKLCI's 5.4%. In 2H25, although the sector underperformed in early-Nov 25 due to a lack of fresh catalysts after Budget 2026 and concerns over the crackdown on overloaded lorries, its performance has since rebounded. This was led by IOI Properties Group's (IOIPG) (+27.4%) rally ahead of its REIT listing targeted for Jun 26. Other notable gainers include Sunway (+12.3%) and Lagenda (+4.9%). The sector currently trades at 0.9x 12-month forward P/B (0.5SD above 10-year mean of 0.8x) and a 60% discount to RNAV (0.5SD above 10-year mean of 56%).
- **Mass-market demand in 2026 supported by policy measures.** Budget 2026 sets the tone for continued affordability support, through measures including extended stamp duty exemptions for homes priced below RM500,000 and enhanced mortgage accessibility for first-time home-buyers via a doubled RM20b allocation to the Housing Credit Guarantee Scheme (SJKP). Residential transactions in the mass-market segment (RM300,000-500,000) have continued to rise since 1Q25, reaching 17,389 units (+3.7% yoy) in 3Q25. This reflects firmer buyer interest within the mass-market price band against a more stable macro backdrop, benefitting Lagenda and Mah Sing. Cumulatively, 9M25 transaction volume in the mass-market segment remained stable at 46,683 units (+0.5% yoy).

Sector Picks

Company	Ticker	Rec	Share Price (RM)	Target Price (RM)
Eco World	ECW MK	BUY	2.08	2.70
Sunway	SWB MK	BUY	5.43	6.10
IOIPG	IOIPG MK	BUY	2.62	3.00

Source: Bloomberg, UOB Kay Hian

Sector One-Year Forward PB At 0.9x



Source: Bloomberg

Sector Discount To RNAV At 60%

Source: NAPIC

Peer Comparison

Company	Ticker	Rec*	Price 5 Dec 25 (RM)	Target Price (RM)	Upside To TP (%)	Last Year End	PE 2024A (x)	PE 2025E (x)	PE 2026E (x)	Yield 2026E (%)	ROE 2026E (%)	Market Cap. (RMm)	PB 2026E (x)
Eco World Development	ECW MK	BUY	2.08	2.70	29.9	10/24	18.1	16.4	12.7	3.9	9.7	6,658	1.2
IOI Properties Group	IOIPG MK	BUY	2.62	3.00	14.5	6/25	20.7	37.3	20.9	3.1	2.7	14,426	0.6
Lagenda Properties	LAGENDA MK	BUY	1.28	1.77	38.3	12/24	6.3	5.8	3.9	6.4	17.4	1,072	0.9
Mah Sing Group	MSGB MK	BUY	1.01	1.45	43.9	12/24	10.6	8.8	8.1	5.5	7.4	2,586	0.6
Matrix Concepts	MCH MK	BUY	1.32	1.70	28.8	3/25	12.2	9.6	9.3	5.4	11.0	2,478	1.0
SP Setia	SPSB MK	BUY	0.82	1.22	50.2	12/24	6.6	10.5	8.2	2.5	3.8	4,078	0.3
Sunway Bhd	SWB MK	BUY	5.43	6.10	12.3	12/24	36.0	37.0	30.6	1.4	7.3	36,953	2.2
UEM Sunrise	UEMS MK	HOLD	0.58	0.63	8.6	12/24	19.6	29.1	23.7	2.6	1.7	2,934	0.4

Source: UOB Kay Hian

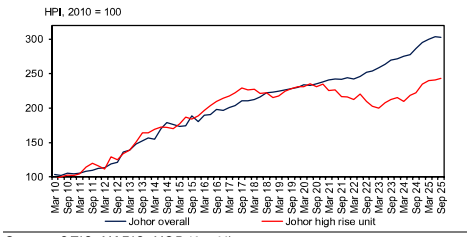
- **Selective strength in higher-value segments, led by Johor.** According to National Property Information Centre (NAPIC), 9M25 residential transactions eased to 187,136 units (-2.7% yoy), while transaction value stayed broadly unchanged at RM77.9b (-0.3% yoy). Average house prices also remained flattish yoy at RM494,384 (+0.1% yoy) in 3Q25, supported by firmer demand in the RM700,000-1m and over RM1m price bands. Correspondingly, transactions in these higher-value segments rose to 13,189 units (+2.6% yoy) and 10,775 units (+4.7% yoy) in 9M25. Growth in the RM700,000-1m price band was led by Johor (+19.7% yoy to 4,566 units), while those in the over RM1m category were led by Johor (+18.4% yoy to 2,307 units) and Kuala Lumpur (+4.9% yoy to 2,270 units). This points to increasingly selective demand for higher-quality and higher-value products even as overall volumes ease.
- **Infrastructure-led catalysts supporting medium-term growth.** Key connectivity milestones in 2026 are expected to strengthen regional accessibility, and these include: a) the Johor Bahru-Singapore RTS link, which is on track for full operations in Jan 27; b) the Gemas-Johor Bahru electrified double-track, where full testing and commissioning are underway along the Segamat-Kluang-Kulai corridor; and c) early works for MRT3, with land acquisition progressing through 2026 following the final scheme approval. Budget 2026 also allocated additional spending for infrastructure, including the Senai-Desaru Expressway (Phase 2A) upgrade in Johor and a new PLUS interchange as part of the Malaysian Vision Valley 2.0 (MVV2.0) development in Negeri Sembilan. Collectively, these upgrades are likely to strengthen demand in areas with better connectivity.
- **Rising TOD opportunities.** Developers have started positioning around future transit corridors, with Sunway (Seremban Sentral), MRCB (Ipoh Sentral), and Mah Sing (M Cora near the proposed Mutiara LRT alignment) acquiring sites linked to upcoming rail infrastructure. Eco World also brings established transit-linked development (TOD) experience through Bukit Bintang City Centre (BBCC), and like other developers, project capitalisation is likely to materialise over the medium term. We expect 2026 to mark a more active phase of planning and landbanking for TODs, supported by the anticipated restart of MRT3 tendering by mid-26 and the ongoing tender progress for Penang Mutiara LRT.
- **JS-SEZ blueprint in 1Q26 to shape Johor's investment upside.** Johor remains on track to achieve RM100b of approved investments by end-25 (9M25: RM91b; 1H25: RM56b), more than two times that of 2024 (RM48.5b). Notably, JS-SEZ accounted for two-thirds of Johor's approved investments (1H25: RM37b or 66%), led by Singapore (RM28.5b), followed by Italy (RM2.9b) and China (RM0.7b). We expect Johor to remain as Malaysia's key FDI engine, underpinned by national-level initiatives. Recent measures include fast-tracking manufacturing licensing for non-sensitive industries, multiple-entry visa via the Xpats Gateway platform, RM650m being channelled to the Skills Development Fund Corporation, and an additional RM200m for the strategic co-investment fund under the NIMP 2030. Looking ahead, we see potential uplift to Johor's investment pipeline once the JS-SEZ blueprint is finalised in 1Q26. While most high-level policy guidance is in place, greater clarity on the remaining details should help improve investors' execution visibility, in our view.
- **MVV 2.0 and Selangor see rising industrial activity.** Industrial demand in MVV 2.0 has picked up, supported by its proximity to KLIA and competitive land prices of RM45-80psf (vs Johor's RM45-130psf and RM120-200psf in Selangor's prime areas). This has spurred new industrial launches such as the 760-acre Vision Business Park, 1,195-acre Eco Business Park VII, and 1,000-acre MVV Tech Valley, with take-up mainly led by local SMEs. The pickup is favourable for Eco World and Matrix Concept, which are rolling out new phases over 4Q25-1Q26. A similar trend is visible in Selangor, where

Key Assumptions

(%)	2023	2024	2025F	2026F
Revenue Growth	7.0	13.8	8.4	19.3
Net Profit Growth	17.1	31.3	(11.9)	30.7
Net Margin	10.4	12.5	9.3	11.9

Source: Respective companies, UOB Kay Hian

Johor House Price Index

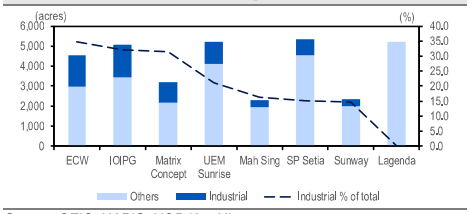


Source: CEIC, NAPIC, UOB Kay Hian

Johor Landbank Exposure In Value

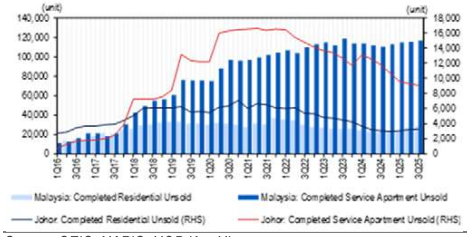
Source: Respective companies, UOB Kay Hian

Industrial Landbank Exposure In Land Size



Source: CEIC, NAPIC, UOB Kay Hian

Completed But Unsold Unit Overhang Trend

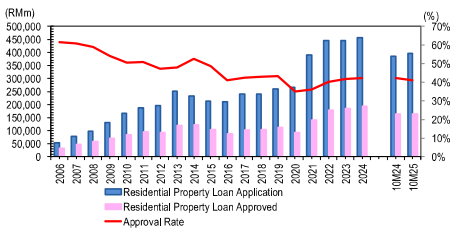


Source: CEIC, NAPIC, UOB Kay Hian

seven managed industrial parks are being developed across Kuala Langat, Gombak, and Klang. Looking ahead, industrial demand should be further lifted by Budget 2026's push into high-value sectors, including semiconductors, AI and advanced manufacturing.

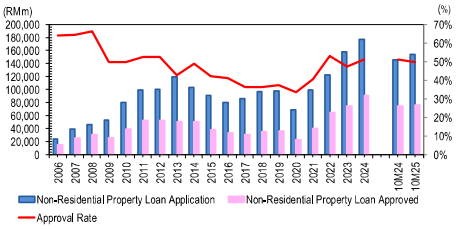
- **Transportation cost and material cost surge.** Following Malaysia's Ministry of Transport (MOT) intensified crackdown against overloaded lorries, cement transportation cost (+60%) and cement prices (>20%) have risen in the past weeks. Feedback from some property players indicate limited cost impact for ongoing contracts as those are fixed and non-negotiable, while no material delays are expected for project completions. That said, developers expect low single-digit increases in construction costs, reflecting higher logistics and material pricing being incorporated into new tenders. Overall, we expect these cost pressures to be eventually passed on through repricing of new launches over time.
- **REIT listings represent a key re-rating catalyst.** We see 2026 as a favourable period for REIT listings, given the narrowing dividend yields (5-6%) and prevailing premium to book value. Developers' valuations should expand upon a REIT listing through: a) value crystallisation, and b) a narrower discount to property RNAV, in our view. Upon listing, our valuation will transition to a SOTP approach, where injected assets are valued on a mark-to-market basis rather than historical book value (which are typically lower). Developers' discount to RNAV should also narrow on: a) lower gearing from cash proceeds and potential RPGT-related deferred tax reversals, and b) higher-quality recurring earnings from the REIT. We expect IOIPG and SP Setia to benefit from these asset monetisation exercises, given their laggard valuations (0.6x and 0.3x 2026F PB) and planned REIT listings in 1H26 and 2H26.

Residential Property Loan Application



Source: CEIC, BNM, UOB Kay Hian

Non-Residential Property Loan Application



Source: CEIC, BNM, UOB Kay Hian

Valuation/Recommendation

- **Maintain OVERWEIGHT.** The sector currently trades at 0.9x 12-month forward P/B (0.5SD above 10-year mean of 0.8x) and at a 60% discount to RNAV (0.5SD above 10-year mean of 56%). We maintain a constructive outlook, supported by: a) Johor-led strength in mid-to-high-end residential demand; b) sustained industrial momentum across Johor, MVV2.0 and Selangor; c) rising approved investments into Johor under the JS-SEZ, with the blueprint expected in 1Q26; and d) asset monetisation catalysts through potential REIT listings. Our top picks are Sunway, Eco World, and IOIPG.

Sector Catalyst/Risk

- Key sector risks: a) Unsuccessful execution of infrastructure- or property-related developments and negative newsflow, b) slower-than-expected take-up rates caused by macroeconomic uncertainty, c) spikes in building material costs, and d) impairments on receivables and completed inventories.

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